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- Soviet tactics in Paris will aim at a compromise permitting East-West trade and delaying the discussion of the political unity of Germany until later in the year. If possible the formation of a western German state will be delayed.
- 2. The interim period would be exploited for increased political warfare on the Western Zones' finances in the main through the present Soviet Zone exports, and for raising the living standard of the Soviet Zone by the following measures:
  - a. Large scale reductions of reparations from current production of industries controlled by the DMK. The Soviets have indicated to the DMK that German production for the USSR is no longer needed, since through the dismantling of German factories and through German technical help the USSR is self-sufficient in the fields concerned. They emphasize the importance of German technicians being exploited in the USSR and of the work performed for the Soviets by the technical bureaux in Germany.
  - b. Transfer of the Soviet AG:s to state ownership.
  - c. Large scale imports from the Western Zones, satellite countries, and western Europe with corollary speeding up of exports.\*
  - d. Large scale lifting of rationing in the Soviet Zone is expected within six months.
- Socialist aims which are considered invulnerable to SPD criticism and propaganda will be retained. Social and land reform and socialization of industry and trade are the most important of these aims.

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- 4. The SED is being purged of dubious elements, and reversion to illegal activity is considered possible. Great emphasis will be put on nationalism, through non-SED parties. The KPD is considered suitable for illegal activity. The lifting of the blockade is considered a shrewd Soviet move to capture the initiative of the Foreign Ministers' Conference. The ability of the Soviet Zone to continue to export to western Europe and to exist without western raw materials is considered proof that the counter blockade did not force the Soviet move.
- 5. Since the United States did not use the ERP to setup an overall controlled economy embracing all Marshall Plan states, serious economic recessions can be awaited in western Europe and later in the United States. This is expected to strengthen the Soviets in the Foreign Ministers' Conference meetings later in the year.\*\*

Comment: At present foreign currency acquired through export goes into Soviet hands and the German accounts are credited with Marks. All details of these transactions are inaccessible to the Germans and even bookkeepers handling the accounts are unable to determine the disposition of foreign currency.

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Comment: The summary may possibly reflect official Soviet views on Eastern Zone matters as passed to trusted Germans. More likely it represents an official handout of the Russians designed to reassure wavering elements among their supporters in the DWK.